

ICPS newsletter[®]

Ukraine's major political trends persisted in November

Political struggles between the government and opposition mostly entail in blocking each other's initiatives. Under these circumstances, necessary economic and social reforms have stalled. The government's willingness to vie with rivals inside the country resorting to undemocratic methods is leading to Ukraine falling out of favour with the international community, and increases the population's mistrust of political institutions. Economic growth is higher than forecasted, although the economy is beginning to send out alarming signs of overheating. This is the summary of Ukrainian politics in November 2003, analysed in the next issue of Political Commentary

Political competition

The fierce battle between the pro-government coalition and opposition forces in Ukraine continues to worsen conditions for conducting effective government policy. The governing coalition fails to demonstrate its capability of producing a united program of necessary reforms, focused as it is instead on competing for positions and economic assets. Moreover, it is using underhanded methods to fight against the opposition forces, wanting to limit their access to the Ukrainian public.

The opposition, in turn, strives to block practically any initiatives of the executive government in parliament, and has resorted to populist actions. Its own influence on the formation of policy, however, is compromised by internal strife, including the growing animosity between the Communists and the Our Ukraine faction, and the stalled talks of Our Ukraine leader Viktor Yushchenko with the leaders of two other opposition forces regarding their support of him as a candidate in the presidential election. These kinds of skirmishes between the government and its opponents risk blowing up into full-scale political crises as the election approaches. Nevertheless, political competition is a positive phenomenon, that sets Ukraine apart from other CIS states although its impact is curbed by the inability of parties to compete by means of promoting better government policy.

External relations

Expansion of the European Union, resulting in Ukraine becoming a neighbour as of 2004, as well as its increased potential as a transit country for fuel transport, has promoted greater interest in Kyiv on the part of Washington and Brussels after a cooling of relations in 2001–2002.

The Ukrainian government has managed to capitalise somewhat on these advantages.

In particular, during the past year Ukraine has mostly reinstated its diplomatic relations with the USA, which had been damaged by scandals touching on President Leonid Kuchma. Ukraine also curried favour by supporting US actions in Iraq, sending a military unit to assist the George W. Bush Administration in imposing a new order in that country. But the problem in Kyiv–Washington relations remains the USA's dissatisfaction with the status of democratic and economic reforms in Ukraine, and the questionable methods employed by the government in its struggle against the opposition.

The unprecedented tension in relations between Russia and Ukraine that occurred during the October conflict in the Kerch Strait abated after the dispute was brought into the realm of diplomatic negotiations. However, the superficial normalisation of relations, stimulated by the Ukrainian government's desire to have Russia's support during the 2004 presidential election, does not mean that key problem issues—including the definition of international borders in the Azov Sea—will be resolved soon.

By and large, Ukraine's foreign policy remains hostage to its desire to secure Russia's favour during the election and the government's willingness to quash domestic rivals using undemocratic methods, which alienates the West.

Government policy

The lack of an effective reform program in the governing coalition, and the approaching presidential election, have had a negative effect on Ukraine's policy performance, and hamper optimum decision making, in particular, stalling Ukraine's advancement towards the European Union. In domestic policy, little progress was achieved this year on most objectives. For example, the reforms needed to improve

ICPS survey of the impact of EU enlargement upon Ukraine presented in Brussels

The results of a project to survey the impact of EU enlargement, conducted jointly by eight independent analytical centres of the Open Society Institute's think tank network, were presented in Brussels to representatives of the European Commission, European Economic and Social Committee, non-governmental organisations, foreign representative offices, and journalists. The summary report, "Turning Threats into Opportunities: Impact of the Expansion of the Schengen Acquis on the New Borderlands", was prepared and presented by experts of the Institute of Public Affairs (Poland). In Brussels, experts of the think tanks involved in the project (from Estonia, Moldova, Poland, Romania, Slovakia, Czech Republic, and Ukraine) presented general conclusions and recommendations from the national reports.

The presentation was arranged by the representative office of Polish NGOs in Brussels.

*Materials from the research on the implications for Ukraine of EU enlargement and adoption of the Schengen Acquis by CEE countries, presented by the International Centre for Policy Studies, were published in **policy studies** No. 20 and are available on the ICPS website at <http://www.icps.kiev.ua/publications/ps.html>. For further information, please contact Olha Shumylo at tel.: +380-44-236-3740, or e-mail to oshumylo@icps.kiev.ua.*

mechanisms that assure the protection of human rights—reforms to the court system and investigations system, combating organised crime, and freedom of the press—cannot be said to have stalled, they are not even out of the starting block. The change in political order currently being considered by the parliament that could lead to Ukraine being transformed from a presidential-parliamentary to a parliamentary-presidential republic is distorted by an excessive focus on the possible results of the 2004 election, not on the development of an effective model of government.

Economic environment

The high level of business activity observed throughout 2003 in Ukraine continues. GDP cumulative growth is still accelerating, with the growth factors, as before, being expanded foreign trade and increased domestic purchasing power. However, the first signs have appeared of an overheated economy. For one thing, the inflation rate has risen, and for another, increased competition is reducing business incomes. Despite the continuing economic upturn, the improved investments are not observed throughout the entire economy.

The 2004 budget, approved by parliament, has a deficit in the amount of 1.5% of GDP, allowing Ukraine to maintain macrofinancial stability during the election year. At the same time, the document contains norms which will slow the implementation of tax and pension reforms. As for sectoral reforms, they are essentially at a standstill, especially in agriculture, energy, and housing & public utilities.

Public opinion

The unsatisfactory quality of life of most Ukrainians, and the lack of information regarding the goals and outcomes of state policy, have kept the population's degree of trust in government institutions at catastrophically low levels. Meanwhile, the

cutthroat battles between political forces feature dirty tactics that also undermine the population's trust in leading politicians—all of whom, without exception, have negative trust/mistrust ratings. Most of them on both sides—the government and the opposition—have seen their mistrust ratings increase since the beginning of the year; this also includes the politician with the best ratings, Viktor Yushchenko. Under conditions of such total mistrust less than one year before the election, none of the pretenders has a certain chance of victory. ■

political commentary offers the international community a monthly review of trends and forecasts concerning the ongoing development of Ukraine's domestic and foreign policy, allowing readers to better understand the levels and directions of changes, and facilitating investors' assessment of political risks.

To obtain a regular subscription to this bulletin, please contact Maksym Korepanov at tel. +380-44-236-5464 or e-mail marketing@icps.kiev.ua. For more information on the political situation in Ukraine, you are welcome to contact Yehor Sobolev at tel. +380-44-236-4477 or e-mail to esobolev@icps.kiev.ua. The **political commentary** archives are available on the ICPS web site at <http://www.icps.kiev.ua/>.

Table 1. Levels of trust in state institutions in Ukraine in 2003 (balance of trust/mistrust, in % of respondents)

State institutions	January 2003	March 2003	June 2003	October 2003	November 2003
President of Ukraine	-44	-47	-45	-52	-50
Verkhovna Rada of Ukraine	-54	-45	-43	-51	-50
Executive government of Ukraine	-36	-39	-41	-43	-43
Armed Forces of Ukraine	-1	+8	0	-8	-2
Militia (Police)	-33	-32	-32	-42	-43
Security Service of Ukraine (SBU)	0	-3	-8	-10	-11
Courts in Ukraine	-23	-25	-27	-35	-32
Prosecutor's Office of Ukraine	-23	-24	-24	-29	-28

Table 2. Trust levels in Ukraine's political leaders in 2003 (balance of trust/mistrust, in % of respondents)

Political leaders	January 2003	March 2003	June 2003	October 2003	November 2003
Leonid Kuchma	-48	-50	-48	-54	-50
Viktor Medvedchuk	-39	-44	-41	-50	-50
Viktor Yanukovych	-24	-21	-27	-29	-27
Volodymyr Lytvyn	-30	-27	-30	-36	-40
Serhii Tihipko	-27	-28	-27	-31	-31
Yevhen Marchuk	-31	-36	-37	-43	-43
Viktor Yushchenko	-6	-6	-6	-13	-17
Yulia Tymoshenko	-32	-36	-34	-47	-44
Petro Symonenko	-27	-26	-34	-35	-25
Oleksander Moroz	-27	-26	-58	-31	-31

All surveys were conducted by Taylor Nelson Sofres Ukraina and the Democratic Initiatives Foundation on 27 December 2002–2 January 2003, 27 February–9 March 2003, 2–9 June 2003, 2–9 October 2003, and 30 October–6 November 2003. The sample represents the adult population of Ukraine according to the main social-demographic indicators, from all regions of the country; 1,200 respondents were surveyed each time. Margin of error is within 3%.

EBRD presents the Transition Report

The presentation of this year's Transition Report of the European Bank for Reconstruction and Development was delivered to representatives of independent think tanks, government, and business on 2 December 2003 at the International Centre for Policy Studies.

The report sets forth a generalised view by EBRD economists of the countries of Central and Eastern Europe and the CIS in their transition to a market economy. The focus of this year's report is on integration and regional cooperation issues. A portion of the report dealing with specific CIS countries, in particular, Ukraine, is posted on the EBRD website at <http://ebrd.com> (in Russian).

Subscribe to ICPS publications for 2004!

For the coming year, we offer our clients the following periodicals:

- **quarterly predictions** — a quarterly review and a three-year forecast for Ukraine's economy ;
- **political commentary** — a monthly analysis of government policy and factors influencing its formation;
- **economic statistics** — a monthly summary of macroeconomic statistical data valuable for conducting business in Ukraine;
- **consumer confidence** — a quarterly survey of household consumer expectations.

Special analytical projects:

- **regional trends** — an economic survey of Ukrainian regions, and of regional policy in Ukraine and the European Union, examining the economic potential and development dynamic of Ukrainian regions through the period 1990–2002, and containing analyses of regional economic trends and a forecast of their development;
- **new economic legislation** — a valuable annual overview of legislative changes important for doing business in Ukraine. This research has been conducted since 1999.

All subscribers have an opportunity to benefit from the consultations of ICPS experts.

For further information regarding subscriptions to ICPS publications, please contact Maksym Korepanov at tel.: +380-44-236-5464 or e-mail to marketing@icps.kiev.ua.

icps newsletter is a weekly publication of the International Centre for Policy Studies, delivered by electronic mail. To be included in the distribution list, please contact the ICPS publications department at marketing@icps.kiev.ua
icps newsletter editor Yevhen Shulha (shulha@icps.kiev.ua). Phone: +380-44-236-4477.
 English text editor D. (Ksenia) Ovcharenko. Articles may be reprinted with ICPS consent.